

Annual Report
FIRST NATIONAL STORES INC.
year ending

BOARDS
9662.7414
1-6107

March 29, 1952

FIRST NATIONAL STORES INC.

Officers

ADRIAN F. O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
JAMES C. DUANE <i>Vice-President</i>	
BYRON M. FLEMMING <i>Vice-President</i>	
JOHN L. MACNEIL <i>Vice-President</i>	
EDMUND J. MURPHY <i>Vice-President</i>	
JOHN E. ELWELL <i>Clerk</i>	



Executive Committee

RALPH F. BURKARD
JAMES C. DUANE
JOHN L. MACNEIL
ADRIAN F. O'KEEFFE



Directors

RALPH F. BURKARD
JAMES C. DUANE
BYRON M. FLEMMING

SAMUEL JOSELOFF
DANIEL J. LYNE
JOHN L. MACNEIL

JAMES J. O'HARE
ADRIAN F. O'KEEFFE
BERNARD M. O'KEEFFE

Somerville, Massachusetts, June 5, 1952

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

For the fiscal year ending March 29, 1952 sales of \$406,773,153 reached a new high and were 9.39% above the \$371,853,140 reported for the previous year. Food prices at retail, according to the index of the Massachusetts Commission on the Necessaries of Life, averaged 8.25% higher for the year—indicating an increase in tonnage sales.

Per share earnings, on the number of common shares presently outstanding, were \$3.40 as compared with \$3.74 reported for the previous year.

The Lifo inventory method used in prior years for valuing warehouse merchandise on a specific commodity basis was revised during the year to include store merchandise and was computed on a dollar value basis.

The Lifo inventory adjustments for the past two years are shown in the following comparison:

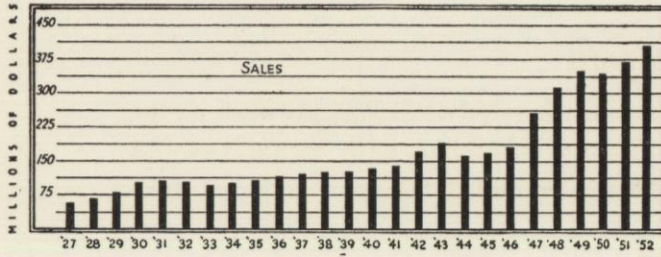
	<i>Fiscal Year</i>	
	1952	1951
Net earnings per share after taxes and before Lifo	\$3.33	\$4.46
Lifo inventory adjustment per share (net)	<u>+.07</u>	<u>— .72</u>
Net earnings per share after taxes and all charges and credits	\$3.40	\$3.74

A condensed summary of our operations follows:

	<i>For the Fiscal Year Ending March 29, 1952</i>
Retail stores sales	\$406,773,153
Net earnings after taxes, depreciation and other charges	\$ 5,571,415
Per share on common stock	\$3.40

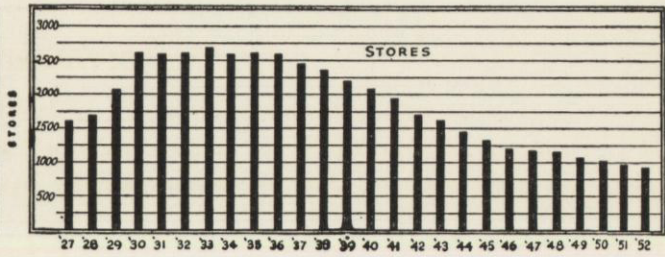
	<i>As of March 29, 1952</i>
Net working capital (current assets less current liabilities)	\$ 10,372,639
Fixed or property assets (less depreciation)	\$ 31,846,411
Stockholders' equity (net worth)	\$ 46,340,758
Earnings used in the business (appropriated and unappropriated)	\$ 39,604,479

On the following page graphic charts show the results of our operations for the past twenty-six years. The per share common earnings chart gives effect for all years to the 2 for 1 stock split in 1951.



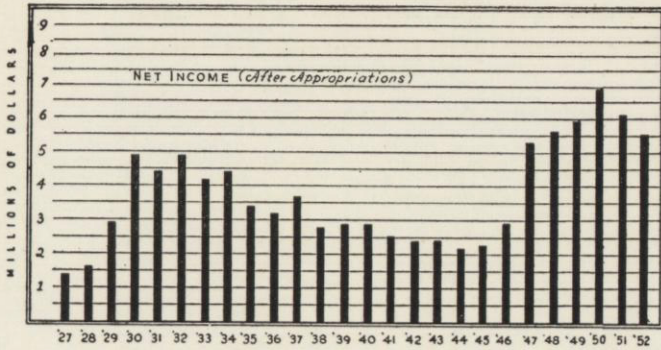
Retail Store Sales—Fiscal Years

1927	\$59,038,304	1936	\$119,575,417	1945	\$170,236,678
1928	64,445,962	1937	120,682,961	1946	182,131,241
1929	75,884,639	1938	124,294,617	1947	256,506,910
1930	107,635,216	1939	124,222,955	1948	315,915,554
1931	108,196,686	1940	131,041,157	1949	354,444,614
1932	107,634,383	1941	142,680,921	1950	344,171,022
1933	100,892,947	1942	174,378,932	1951	371,853,140
1934	105,812,781	1943	187,839,592	1952	406,773,153
1935	111,323,463	1944	164,924,978		



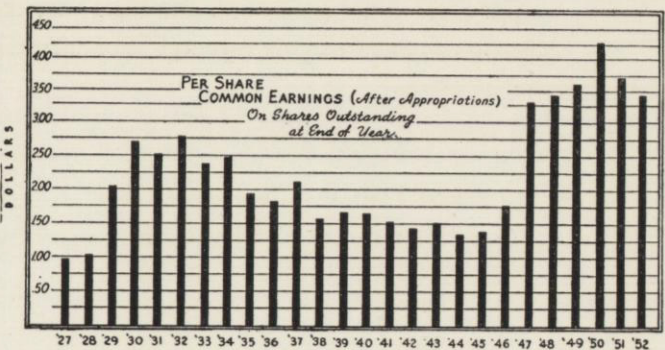
Stores—Fiscal Years

1927	1681	1936	2556	1945	1340
1928	1717	1937	2473	1946	1236
1929	2002	1938	2350	1947	1201
1930	2549	1939	2244	1948	1150
1931	2548	1940	2137	1949	1083
1932	2546	1941	1923	1950	1033
1933	2705	1942	1748	1951	979
1934	2653	1943	1585	1952	922
1935	2623	1944	1463		



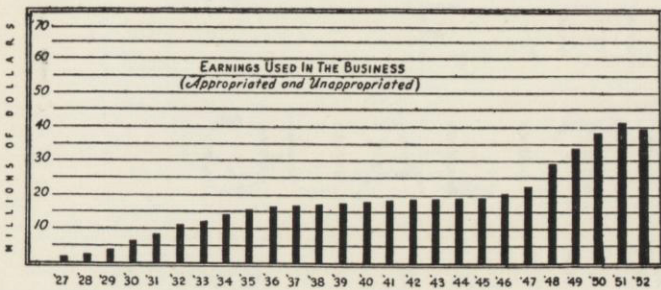
Net Income—Fiscal Years

1927	\$1,492,193	1936	\$3,163,329	1945	\$ 2,294,604
1928	1,593,358	1937	3,647,001	1946	2,885,555
1929	2,904,884	1938	2,705,191	1947	5,357,235
1930	4,773,446	1939	2,774,366	1948	5,629,705
1931	4,479,108	1940	2,739,074	1949	5,905,880
1932	4,825,611	1941	2,508,719	1950	6,997,980
1933	4,220,099	1942	2,380,294	1951	6,134,530
1934	4,394,830	1943	2,465,079	1952	5,571,415
1935	3,433,504	1944	2,235,104		



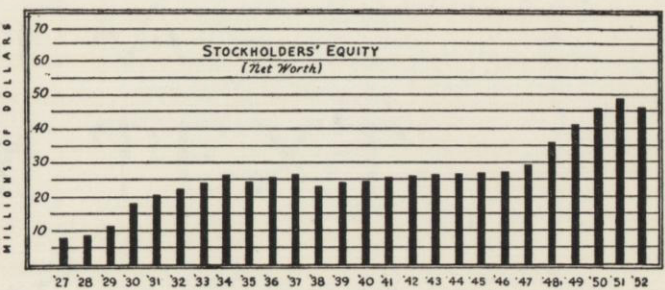
Per Share Common—Fiscal Years

1927	\$0.96	1936	\$1.82	1945	\$1.40
1928	1.04	1937	2.12	1946	1.76
1929	2.04	1938	1.57	1947	3.27
1930	2.69	1939	1.69	1948	3.43
1931	2.52	1940	1.67	1949	3.61
1932	2.76	1941	1.53	1950	4.27
1933	2.39	1942	1.45	1951	3.74
1934	2.48	1943	1.51	1952	3.40
1935	1.95	1944	1.36		



Earnings Used in the Business—Fiscal Years

1927	\$1,996,375	1936	\$16,062,827	1945	\$19,745,003
1928	2,238,303	1937	16,670,118	1946	20,334,138
1929	3,987,782	1938	16,688,036	1947	23,235,669
1930	6,369,726	1939	17,423,131	1948	29,189,624
1931	8,371,910	1940	18,112,565	1949	34,350,171
1932	10,816,321	1941	18,572,964	1950	38,483,159
1933	12,666,672	1942	18,889,476	1951	41,752,697
1934	14,213,494	1943	19,308,135	1952	39,604,479
1935	15,121,448	1944	19,496,819		



Stockholders' Equity—Fiscal Years

1927	\$8,723,782	1936	\$25,761,849	1945	\$26,481,282
1928	8,965,710	1937	26,369,140	1946	27,070,417
1929	11,724,410	1938	23,746,089	1947	29,971,948
1930	18,347,148	1939	24,216,168	1948	35,925,903
1931	20,349,333	1940	24,874,883	1949	41,086,450
1932	22,793,743	1941	25,293,286	1950	45,219,438
1933	24,644,049	1942	25,625,755	1951	48,488,976
1934	26,190,916	1943	26,044,414	1952	46,340,758
1935	24,820,470	1944	26,233,098		

DIVIDENDS PAID

For the fiscal year ending March 29, 1952, dividends, equivalent to \$1.87½ per share on the common stock presently outstanding, were paid as follows:—On July 2, 1951, the equivalent of 37½¢ per share and three subsequent quarterly dividends of 50¢ per share each.

STORES

	<i>March 29, 1952</i>	<i>March 31, 1951</i>
Number of Stores in operation	922	979

On March 29, 1952 we were operating 57 fewer stores than on March 31, 1951. Of 552 grocery stores, 269 are of Self-Service type and of 370 markets, 328 are Self-Service Super Markets.

TAXES

Our total direct tax bill for the fiscal year ending March 29, 1952 amounted to \$10,672,376. This amounts to 66% of our earnings before taxes for the year and equals \$6.52 for each share of our Common Stock.

A summary of our direct taxes follows:

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Earnings (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1952	\$10,672,376	66%	\$6.52	\$11,575
1951	8,632,385	58%	5.27	8,818
1950	7,934,726	53%	4.85	7,681
1945	4,776,961	67%	2.91	3,564
1940	1,656,274	37%	1.01	753
1935	1,111,096	24%	.68	420
1930	796,693	14%	.49	324

COMMENTS

At the close of the year, cash was \$12,114,572 as compared with \$9,437,003 in the prior year. Working capital was \$10,372,639 as compared with \$13,653,690 at March 31, 1951. This decline in working capital was occasioned principally by the change to valuing the retail store inventories on the Lifo method. The \$4,400,000 previously appropriated for retail store inventory price declines, was used in adjusting store inventories to the Lifo basis.

Bank loans were \$3,000,000 at year end. At the end of the prior year \$8,000,000 was outstanding.

Despite record sales, earnings declined principally because of higher taxes and regulations of the Office of Price Stabilization. During the entire fiscal year, our company conducted its business under government price control. Because these retail food controls have been unrealistic in concept and administration, it has been a difficult year.

Our industry today is encountering a lower markup, not only because of the narrowness of OPS margins but, in large measure, because of the merchandising rigidity imposed by OPS regula-

tions. This condition has become more acute with the decline in food prices both at cost and retail since last January. Increases in wages and other business expenses continue to occur and these increases the retailer is not permitted to pass on in his selling prices. The food retailer therefore finds himself today with less gross profit and higher expenses on each dollar of his sales.

The situation in meat has been especially serious. OPS, without regard to merchandising realities, has imposed retail meat regulations which have forced your company to operate at a loss in this department.

Relief from these hardships and inequities has been requested of OPS throughout the past year. At this writing no substantial relief has yet been granted, although assurances that it will be forthcoming have been recurrently made. We shall continue our efforts to obtain from OPS fair and equitable treatment for our company and industry under price control.

We opened eighteen new super-markets during the past year of which fifteen are leased and three owned. Of the eighteen new markets, eight represent replacements of existing inadequate stores. Two small super-markets were closed during the year. In twenty-three other super-markets, either additions or remodellings were completed. We are continuing our program of store modernization and development.

A recent analysis shows that we have 10,048 stockholders. Each store we now operate has an average of 10 shareholder owners. Our records disclose wide geographic distribution of ownership. We have stockholders residing in every state in the United States, in Canada, and in many other countries throughout the world.

Once again we extend the appreciation of the management to all the men and women of First National Stores for their fine cooperation and support.

ANNUAL MEETING—PROXIES

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.

ADRIAN F. O'KEEFFE,
President



Food... LIFE'S GREATEST NECESSITY

Everywhere in America, thanks to fertile soils and diversified climate, to the industrious enterprise of the American farmer, to the ingenuity and resourcefulness of the scientist and the inventor, and to the progress in transportation, refrigeration, processing and distribution, *Food* is amply available to meet daily, recurring human need. And the American way in food, with its great abundance and variety,

contrasts with other countries in the world.

We take pride in having had a part for over a half century in the building of a food service which has made Americans the best-fed people on earth. Our function is the concluding link in the vital food system which, day after day, furnishes healthful, wholesome, high-quality foods for the Family Table.

FIRST NATIONAL
STORES





Imported, roasted and packaged in our Coffee Plant at the Somerville, Massachusetts, headquarters.



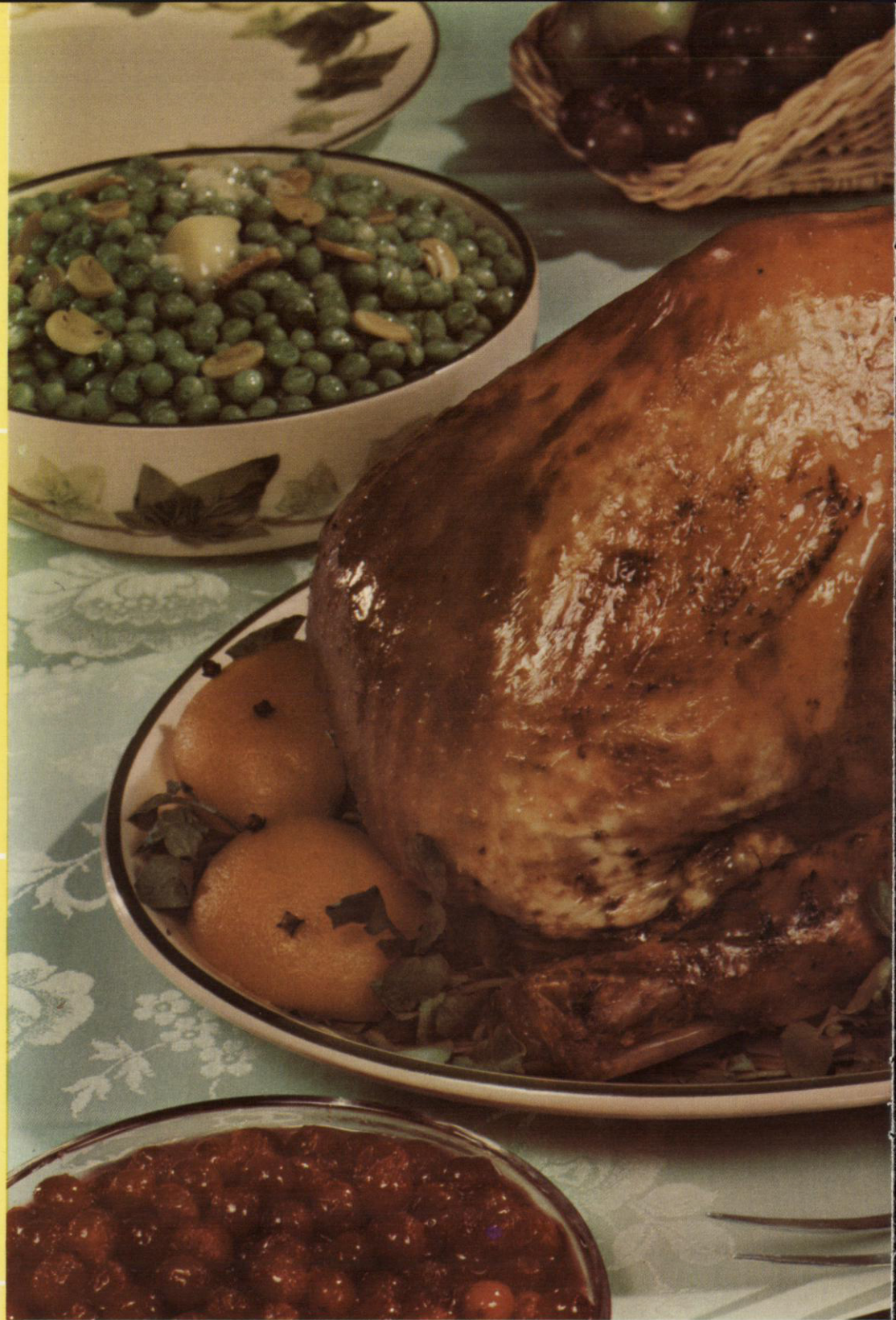
Made from an old New England recipe in our Daylight Kitchen.



Our "Yor" Garden line of canned fruits and vegetables is the pick of the finest orchards and gardens of the country.



Our Bottling Plants supply our stores with these popular, pure beverages.



MULTIPLY *One Meal*

BY MILLIONS!



Buyers of food at retail have known us since 1897 as Food Headquarters. First National's 922 stores in over 400 communities from Northern Maine to New York are in an area of high per-family food purchases. Our many thousands of steady customers choose First National's 167 exclusive products and the wide range of other foods we have placed on our shelves and counters because, meal by meal — multiplied by millions — First National food values pass the Eating Test.



First National Stores markets sell only corn-fed, western steer beef, top U. S. grades.



"Yor" Garden frozen foods are favorites of our customers in our Frozen Food Departments.



We import, blend and package all of our own fine quality, popular teas.



First National bakeries bake a wide variety of bread and rolls in three modern Daylight bakeries.

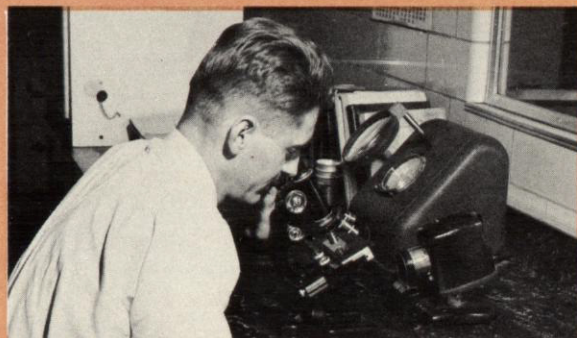
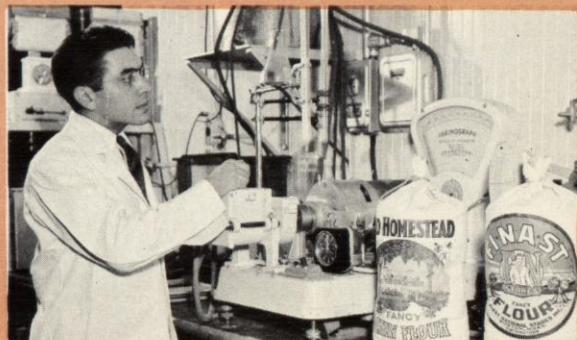


**MAINTAINING
FIRST NATIONAL STORES**

*Quality
AND
Value...*

Every food item in First National Stores must pass a rigorous series of tests for quality and value.

Maintaining quality is a First National fundamental—calls for continual operating vigilance in the buying and handling of foods. Science also is a valued ally of experience and judgment in our company, which is the only retail food distributor in its territory with its own food laboratory. This laboratory is staffed by expert food technologists who use every modern technique to test foods and to assure highest standards of quality and purity for our customers.

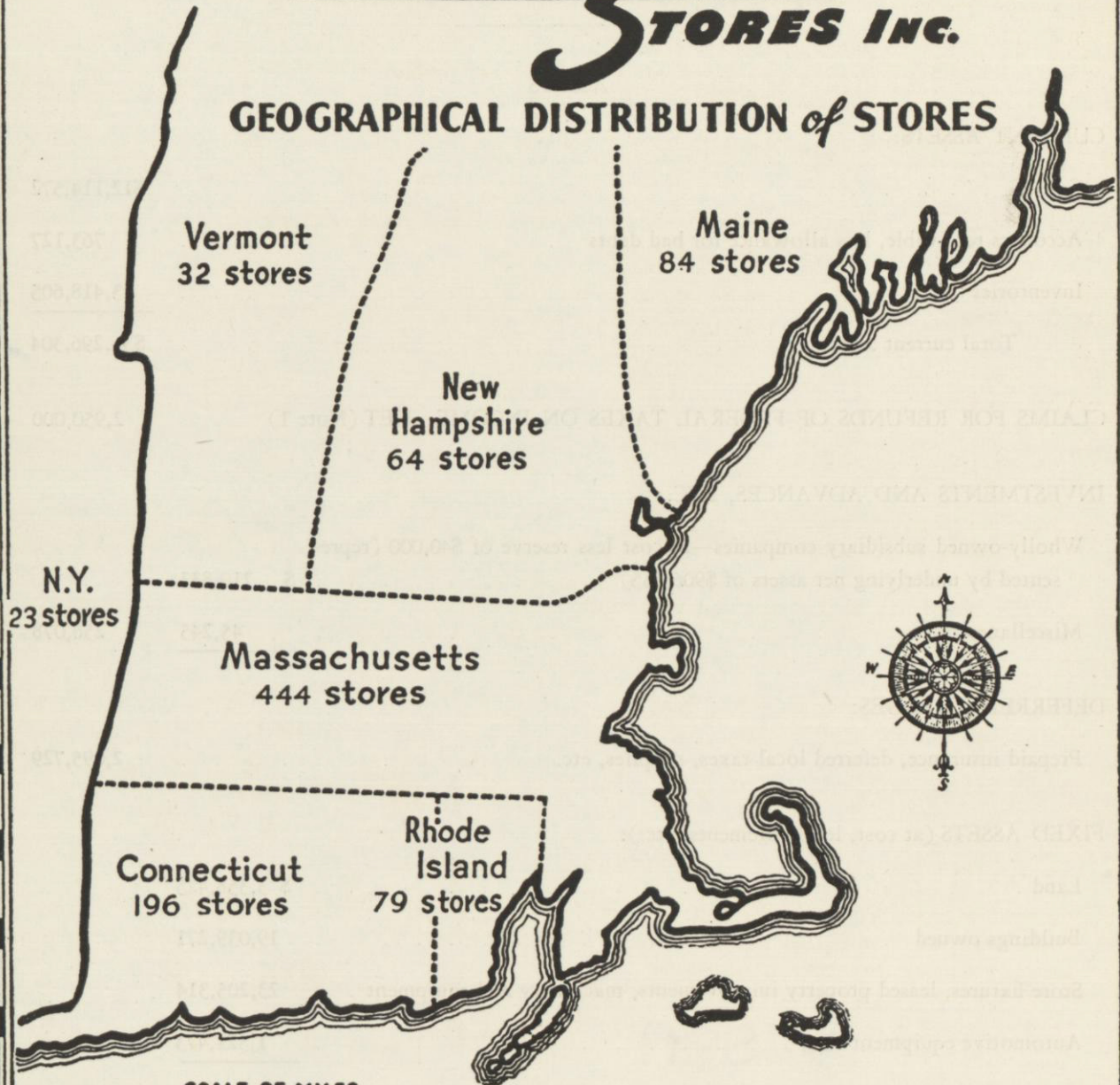


FIRST NATIONAL STORES performs an essential service in the distribution of food, reflecting in retail prices the benefit of low costs, and contributing to a higher standard of living for consumers.

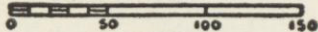
FIRST NATIONAL

STORES Inc.

GEOGRAPHICAL DISTRIBUTION of STORES



SCALE OF MILES



**Total Number
of Stores**

as of March 29, 1952

922

FIRST NATIONAL STORES INC.

BALANCE SHEET—MARCH 29, 1952

ASSETS

CURRENT ASSETS:

Cash	\$12,114,572
Accounts receivable, less allowance for bad debts	763,127
Inventories (Note 1)	<u>23,418,605</u>
Total current assets	\$36,296,304

CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME—NET (Note 1) 2,950,000

INVESTMENTS AND ADVANCES, ETC.:

Wholly-owned subsidiary companies—at cost less reserve of \$40,000 (represented by underlying net assets of \$906,735) \$ 210,833	
Miscellaneous	<u>45,245</u> 256,078

DEFERRED CHARGES:

Prepaid insurance, deferred local taxes, supplies, etc. 2,095,729

FIXED ASSETS (at cost, less retirements, etc.):

Land	\$ 3,358,425	
Buildings owned	19,039,271	
Store fixtures, leased property improvements, machinery and equipment	23,205,314	
Automotive equipment	<u>1,521,473</u>	
	\$47,124,483	
Less—Accumulated depreciation	<u>15,278,072</u>	31,846,411

GOODWILL 1

\$73,444,523

FIRST NATIONAL STORES INC.

BALANCE SHEET—MARCH 29, 1952

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks		\$ 3,000,000
Accounts payable		9,405,704
Owing to subsidiary companies		237,175
Accrued local and state taxes and other expenses		5,080,768
Employees' investment certificates		142,630
Federal taxes on income		8,057,388
Total current liabilities		\$25,923,665

RESERVES:

For past service premiums under retirement annuity plan	\$ 1,079,107	
Miscellaneous operating reserves	100,993	1,180,100

STOCKHOLDERS' EQUITY:

Common stock (Note 4)—		
Authorized—2,000,000 shares without par value		
Issued—1,655,268 shares	\$ 6,977,422	
Earnings used in the business:		
Appropriated for contingencies, etc.	\$704,258	
Unappropriated, per accompanying statement	38,900,221	39,604,479
Together	\$46,581,901	
Deduct—Common stock held in treasury—18,114 shares, at reduced amount carried on books	241,143	46,340,758
		\$73,444,523

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

In our opinion, the accompanying balance sheet and the related statements of earnings and unappropriated earnings used in the business fairly present the financial position of First National Stores Inc. at March 29, 1952, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the basis of inventory valuation as explained in Note (1) to the financial statements. Our examination of such financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Boston, Massachusetts
May 29, 1952

FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDING MARCH 29, 1952

Sales and revenues:		
Retail store sales	\$406,773,153	
Interest and dividends received:		
From subsidiaries (Note 2)	46,000	
From others	1,787	\$406,820,940
Costs and expenses:		
Cost of sales, expenses, etc. (exclusive of depreciation)—(Note 1)	\$389,322,745	
Provision for depreciation of fixed assets (including accelerated depreciation of \$973,162)	4,257,341	
Interest expense	199,042	
Net (gain) on disposition of fixed assets	(24,603)	
Provision for federal taxes on income (including \$215,000 excess profits tax)	7,495,000	401,249,525
Net earnings for the year		<u>\$ 5,571,415</u>

STATEMENT OF UNAPPROPRIATED EARNINGS USED IN THE BUSINESS FOR THE FISCAL YEAR ENDING MARCH 29, 1952

Balance, March 31, 1951		\$ 36,648,439
Deduct—Adjustment, as at March 31, 1951, of all inventories, representing reduction to last-in, first-out method of valuation determined by "dollar value" basis of computation (merchandise in retail stores having previously been valued at approximate cost on the basis of first-in, first-out)	\$4,650,000	
Less—Amount previously appropriated for future price declines of inventories in retail stores	4,400,000	250,000
		<u>\$36,398,439</u>
Add—Net earnings for the fiscal year ending March 29, 1952—per statement above		5,571,415
		<u>\$ 41,969,854</u>
Deduct—Cash dividends paid		3,069,633
Balance, March 29, 1952		<u>\$ 38,900,221</u>

NOTES TO FINANCIAL STATEMENTS

(1) In order to meet the requirements of the Bureau of Internal Revenue and enable the company to qualify under the provisions of the income tax regulations pertaining to the last-in, first-out ("LIFO") method of inventory valuation, that method has been retroactively extended to include the merchandise held in the retail stores, previously valued at approximate cost on the basis of first-in, first-out. In revising the basis of valuation to include the merchandise held in retail stores with the inventories valued on the "LIFO" basis, the "dollar value" method of computation was applied during the year to all inventories.

As a result of this change, an amount of \$4,650,000, covering the reduction in the carrying value of the inventories as at March 31, 1951, was charged to the balance of unappropriated earnings. Because of the uncertainties involved, no provision has been made in the accounts to reflect an upward adjustment of the amount of the claims of \$2,950,000 previously set up for refunds of federal taxes arising from the excess cost of replacement of inventories involuntarily liquidated in prior years. It is estimated that the current revision in the basis of inventory valuation may result in additional refunds of approximately \$1,350,000. If this change in the basis of inventory valuation had been in effect during the fiscal year ending March 31, 1951 the amount of the net earnings (after taxes) previously reported for that year would have been reduced by approximately \$400,000.

The use of the last-in, first-out method and the application of the involuntary liquidation and replacement provisions of the tax law are subject to further review and acceptance by the Bureau of Internal Revenue.

(2) The net earnings of the subsidiary companies (all wholly-owned and not consolidated) aggregated \$84,688.

(3) At March 29, 1952 the company was obligated under 187 leases expiring after March 29, 1955. The aggregate of the minimum annual rentals under these leases is \$1,178,993 and the aggregate amount charged against operations for the fiscal year ending March 29, 1952 under all leases was \$2,883,666.

(4) The number of authorized shares of common stock was increased during the year from 1,000,000 to 2,000,000 shares. The number of issued shares was increased from 827,634 to 1,655,268 shares by a 2 for 1 stock split-up.

100

100